Daylight Overdraft Caps: Three Scenarios

Dollar Amounts in Thousands	Adjusted Primary Capital	High cap		Above Average Cap		Average Cap	
		2 week Average	1 day	2 week Average	1 day	2 week Average	1 day
Citibank, New York	$7,341,000	$14,682,000	$22,022,990	$11,011,500	$18,352,490	$7,341,000	$11,011,500
Bank of America, San Francisco	6,551,000	13,102,000	19,652,990	9,826,500	16,377,500	6,551,000	9,826,500
Chase Manhattan Bank, New York	5,383,620	10,767,240	16,150,860	8,075,430	13,459,050	5,383,620	8,075,430
Morgan Guaranty Trust Co., New York	4,186,999	8,373,998	12,560,990	6,280,498	10,467,490	4,186,999	6,280,498
Manufacturers Hanover Trust Co., New York	3,776,011	7,552,022	11,328,030	5,664,016	9,440,027	3,776,011	5,664,016
Chemical Bank, New York	3,132,424	6,264,848	9,397,272	4,698,636	7,831,060	3,132,424	4,698,636
Bankers Trust Co., New York	2,890,825	5,781,650	8,672,475	4,336,237	7,227,062	2,890,825	4,336,237
Security Pacific National Bank, Los Angeles	2,618,831	5,237,662	7,856,493	3,928,246	6,547,077	2,618,831	3,928,246
Continental Illinois National Bank & Trust Co.	2,387,870	4,775,740	7,163,610	3,581,805	5,969,675	2,387,870	3,581,805
First National Bank, Chicago	2,102,165	4,204,330	6,306,495	3,153,247	5,255,412	2,102,165	3,153,247
Wells Fargo Bank, San Francisco	1,876,840	3,753,680	5,630,520	2,815,260	4,692,100	1,876,840	2,815,260
Mellon Bank, Pittsburgh	1,489,327	2,978,654	4,467,981	2,233,990	3,723,317	1,489,327	2,233,990
Marine Midland Bank, New York	1,392,179	2,784,358	4,176,537	2,088,268	3,480,447	1,392,179	2,088,268
Republic National Bank, New York	1,381,544	2,763,088	4,144,632	2,072,316	3,453,860	1,381,544	2,072,316
Crocker National Bank, San Francisco	1,374,803	2,749,606	4,124,409	2,062,204	3,437,007	1,374,803	2,062,204
Irving Trust Co., New York	1,198,626	2,397,252	3,595,878	1,797,939	2,996,565	1,198,626	1,797,939
First Interstate Bank of Calif., Los Angeles	1,182,934	2,365,868	3,548,802	1,774,401	2,957,335	1,182,934	1,774,401
First National Bank, Boston	1,094,997	2,189,994	3,284,991	1,642,495	2,737,492	1,094,997	1,642,495
National Bank of Detroit	889,993	1,779,986	2,669,979	1,334,989	2,224,982	889,993	1,334,989
RepublicBank Dallas	851,545	1,703,090	2,554,635	1,277,317	2,128,862	851,545	1,277,317
Bank of New York	847,467	1,694,934	2,542,401	1,271,200	2,118,667	847,467	1,271,200
Citibank (South Dakota), Sioux Falls	822,545	1,645,090	2,467,635	1,233,817	2,056,362	822,545	1,233,817
Texas Commerce Bank, Houston	696,656	1,393,312	2,089,968	1,044,984	1,741,640	696,656	1,044,984
Seattle-First National Bank	668,649	1,337,298	2,005,947	1,002,973	1,671,622	668,649	1,002,973
Wachovia Bank, Winston-Salem, N.C.	648,733	1,297,466	1,946,199	973,099	1,621,832	648,733	973,099
Interfirst Bank Dallas	641,571	1,283,142	1,924,713	962,356	1,603,927	641,571	962,356
NCNB National Bank of N.C., Charlotte	634,547	1,269,094	1,903,641	951,820	1,586,367	634,547	951,820
Pittsburgh National Bank	623,861	1,247,722	1,871,583	935,791	1,559,652	623,861	935,791
National Westminster Bank USA, New York	611,255	1,222,510	1,833,765	916,882	1,528,137	611,255	916,882
Southeast Bank, Miami	594,251	1,188,502	1,782,753	891,376	1,485,627	594,251	891,376
First City National Bank, Houston	592,839	1,185,678	1,778,517	889,258	1,482,097	592,839	889,258
AmeriTrust Co., Cleveland	549,683	1,099,366	1,649,049	824,524	1,374,207	549,683	824,524
Union Bank, Los Angeles	545,697	1,091,394	1,637,091	818,545	1,364,242	545,697	818,545
Valley National Bank, Phoenix	540,708	1,081,416	1,622,124	811,062	1,351,770	540,708	811,062
First National Bank, Minneapolis	522,442	1,044,884	1,567,326	783,663	1,306,105	522,442	783,663
Sovran Bank, Richmond	515,706	1,031,412	1,547,118	773,559	1,289,265	515,706	773,559
Harris Trust & Savings Bank, Chicago	486,591	973,182	1,459,773	729,886	1,216,477	486,591	729,886
First Union National Bank, Charlotte, N.C.	475,049	950,098	1,425,147	712,573	1,187,622	475,049	712,573
Philadelphia National Bank	463,899	927,798	1,391,697	695,848	1,159,747	463,899	695,848
Citizens & Southern National Bank, Atlanta	462,574	925,148	1,387,722	693,861	1,156,435	462,574	693,861
United States National Bank, Portland	452,154	904,308	1,356,462	678,231	1,130,385	452,154	678,231
European American Bank, New York	447,634	895,268	1,342,902	671,451	1,119,085	447,634	671,451
Rainier National Bank, Seattle	443,451	886,902	1,330,353	665,176	1,108,627	443,451	665,176
First Fidelity Bank, Newark	433,766	867,532	1,301,298	650,649	1,084,415	433,766	650,649
Comerica Bank-Detroit	409,927	819,854	1,229,781	614,890	1,024,817	409,927	614,890
MBank Dallas	409,763	819,526	1,229,289	614,644	1,024,407	409,763	614,644
First National Bank of Atlanta	399,084	798,168	1,197,253	598,626	997,710	399,084	598,626
Northern Trust Co., Chicago	384,126	768,252	1,152,378	576,189	960,315	384,126	576,189
Maryland National Bank, Baltimore	383,580	767,160	1,150,740	575,370	958,950	383,580	575,370
Connecticut Bank & Trust Co., Hartford	375,520	751,040	1,126,560	563,280	938,800	375,520	563,280

Source: Cates Consulting Analysts Inc.

11% of Banks to Seek Maximum Daylight Overdraft Caps

Continued from Page 1

December monitored by the agency. The remaining 2,937 institutions "are small and they either may be opting not to incur overdrafts when the policy becomes effective or simply may be been tardy in providing caps," the Fed said.

Of those institutions filing preliminary caps, 1,890 were commercial banks, 126 were savings and loans, 12 were Edge Act banks, 70 were agencies and branches of foreign banks, 23 were federal savings banks, 32 were mutual savings banks and 57 fell into other categories.

Among the commercial banks, 11% filed for the "high" cap, 30% for the "above average" cap, 39% for the "average" cap, and 20% for the lowest category — "no cap," which means no overdrafts can be incurred.

Program Prompted by Concern

The Fed's risk-reduction program was prompted by concern about the large overdrafts many banks run daily while transferring funds. Some big banks send out large payments — in a few cases adding up to billions of dollars — early in the day when they technically do not have the funds available to cover the transactions.

When these payments are made over the government's Fed Wire network, the result is an overdrawn reserve account. Such payments over a private system, like the New York Clearing House's CHIPS network, leave an institution in large net-debit positions with other banks.

The deficits stem largely from the pattern of wire-transfer traffic. For example, banks typically return federal fund borrowings early in the morning, overdrawing their Fed accounts. As anticipated incoming payments arrive and as overnight money is purchased again later in the day, the deficits are funded.

On an average day, about 1,700 banks routinely go into the red by the staggering total of $110 billion, and then just as routinely cover their positions by the close of business.

However, the Fed is worried about the potential ramifications of the sudden failure of a bank with a large net-debit position. That could leave the Fed with a huge liability or possibly spark the failure of other institutions that are expecting to receive funds from the failed bank when the day's transactions are settled. Such a chain reaction might disrupt the financial markets and the nation's economy.

Nevertheless, the overdrafts cannot simply be outlawed because they act as the grease that allows the high-dollar-value funds-transfer networks to operate smoothly. This flexibility enables these networks to efficiently process $650 billion in payments daily.

The central bank has tried to balance the need for operational efficiency with its desire to curb payment-system risk. The Fed initially had suggested that bank regulators impose overdraft limits — called "sender net-debit caps" — on individual institutions. But the banking industry balked at the idea, pushing instead for banks to be allowed to voluntarily set their own caps. The Fed relented, but warned that the "failure to take the [voluntary] guidelines and procedures seriously" could lead to "the adoption of regulations designed to impose explicit limits on daylight credit exposure."

Under the program the agency did adopt, banks are evaluating themselves according to the strength of their creditworthiness, operational controls, and credit policies.

The self-evaluation, based on detailed criteria supplied by the central bank, results in one of four ratings: high cap, above average cap, average cap, or no cap. The higher the rating, the higher the daylight overdraft an institution can run. The cap is measured as a multiple of adjusted primary capital.

While the program is voluntary, banks with any significant wire-transfer volume virtually have to comply, according to industry experts. Failure to conduct a self-assessment means an automatic rating of "no cap," which would bar an institution from running any overdrafts on Fed Wire, the nation's primary funds-transfer mechanism.

Experts say the new policy could have far-reaching implications, affecting transaction-processing operations, competitive positioning, corporate customers, and even bank credit

➡ Caps: Page 39

Overdraft Cap Table Explained

The Federal Reserve Board, concerned about the huge overdrafts banks run up during the day while transferring funds, will implement a program on March 27 designed to curb the practice. To comply, thousands of banks have to evaluate themselves to determine the level of "daylight overdrafts" they can incur.

The self-assessment is based on the strength of an institution's creditworthiness, operational controls, and credit policies. There are four possible ratings: high cap, above average cap, average cap, and no cap.

The table on page 12 shows possible overdraft levels for the 50 largest banks, based on capital levels as of last June 30.

A bank with a "high" cap can incur a daylight overdraft of up to three times its adjusted primary capital on any day. Over two weeks, its average daily maximum overdraft cannot exceed two times its capital.

A lower rating results in a lower permissible overdraft level. An institution with an "above average" limit can run a deficit of up to 2.5 times its capital on any day and 1.5 times capital over two weeks.

An "average" rating means overdrafts of up to 1.5 times capital are permissible on any day. Over two weeks, deficits cannot average more than the equivalent of a bank's capital.

If an institution has the lowest rating — "no cap" — it cannot run any overdrafts.

For example, if Mellon Bank were to have a "high cap," it could incur an overdraft of up to $4.47 billion on any single day or a daily average of $2.98 billion over two weeks. But if Mellon's cap were "average," its permissible overdraft level would be much smaller — $2.23 billion on one day or $1.49 billion over two weeks. With a "no cap" rating, any of the banks would be forbidden from running overdrafts.

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Realtor, Banker Sentenced to Prison In Ohio Inflated Mortgage Scheme

Special to the American Banker

CINCINNATI — A local realtor has been sentenced to 10 years in prison for running a $1 million scheme in which he inflated the values of homes to get larger mortgages, then converted those funds to personal use. The former president of an Ohio thrift was sentenced to five years for participating in the scheme.

Robert W. Porter, president of the now-defunct M&M Realty of Sharonville, a Cincinnati suburb, pleaded guilty to charges of conspiracy, bank fraud, and mail fraud. He also faces trial in March for his alleged involvement in a fraudulent loan scheme that led to the collapse of the Sparta-Sanders Bank in Warsaw, Ky., where he was a vice president.

Thomas Finch, who had been president of Buckeye Savings & Loan Co. in Bellaire, Ohio, pleaded guilty to conspiracy, mail fraud, and taking kickbacks totaling $30,000 for approving mortgages in which the values of the homes had been inflated or other false information given.

Also receiving prison sentences in the case were Mr. Porter's wife, Judith, his sister, Elaine Oney, and four other employees of M&M or related companies. Two others received probation.

The original indictment listed 13 banks, thrifts, and mortgage lenders as victims of the scheme. They are: Buckeye Savings and Loan; State Savings Bank, Dublin, Ohio; Merchants & Mechanics Federal Savings & Loan Association, Springfield, Ohio; Security Savings Mortgage Corp., North Canton, Ohio; Freedom Federal Savings & Loan Association, Columbus; Cumberland Federal Savings & Loan Association, Louisville, Ky.; Lincoln Financial Corp., Clearwater, Fla.; Transohio Savings Bank, Cleveland; Tower Federal Savings & Loan Association, South Bend, Ind.; Standard Federal Savings & Loan Association, Gaithersburg, Md.; First Federal Savings & Loan Association, Cincinnati; St. Joseph Mortgage Co., South Bend, Ind.; and Goldome Realty Credit Corp., Rockville, Md.

Federal Judge S. Arthur Spiegel said Buckeye had lost $169,000 because of the scheme, and could lose $127,000 more.

Standard Federal has sued one title insurance company, American Realty Title Assurance Co., of Columbus, Ohio, to make good on claims. Judge Spiegel said American Realty has lost more than $500,000, and is pursuing an involuntary bankruptcy action against M&M.

Another title insurance company, American Title Insurance Co., Miami, Fla., expects losses of at least $483,170 in the case, and could lose as much as $750,000 including legal fees, Judge Spiegel said.

M&M is accused of running a number of schemes, and Judge Spiegel said the number of victims and actual losses may never be known.

The FBI and postal inspectors spent 18 months investigating the case before indictments were handed up in July. The indictments said Mr. Porter and others embezzled $1 million held in escrow for home buyers and sellers.

As the embezzlement continued, new escrow funds were used to repay funds taken from older escrow accounts. As more money was diverted into older escrow accounts for personal use, more new money was needed.

The indictments listed several methods of obtaining money. In one, "the defendants ... purchased numerous homes at sheriff's sales at distressed prices, they then recruited home buyers to buy the properties ... processed their loans and closed the transactions, thus coming into possession of escrow funds," according to the indictment.

In cases where buyers would not qualify for loans, M&M gave false information on loan applications. It also overstated property values to obtain larger mortgages, according to the indictment.

M&M also recruited "pinch hitters," as Assistant U.S. Attorney Patrick Hanley called them. These investors, for $1,000, unknowingly gave their names and credit to M&M to obtain inflated mortgages on houses bought at a sheriff's sale. M&M would then sell the houses with the inflated mortgages to the investors. A mortgage would be obtained for an amount greater than the house's market value, and M&M would keep the difference.

M&M promised to manage the properties, renting them out, paying the rent to the investor, and splitting the profits. But with M&M gone — it went out of business in February — the investors now find themselves responsible for the mortgages.

"They were all ignorant, in my opinion," said Jeff Bakst, an attorney for three parties suing M&M. "Some people had long relationships with M&M, and some were personal friends" of employees. "Some felt the practices were not kosher, but they were working with a reputable name." ■

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Hawkeye's Sale of Mortgage Unit Is More Complicated Than it Looked

By LISABETH WEINER

CHICAGO — The sale by Hawkeye Bancorp., Des Moines, of its mortgage company has turned out to be a little more complicated than just a straight sale.

According to senior vice president Stephan L. Jones, the sale of Hawkeye Bancorporation Mortgage Co. to the division's own top management was for $9 million in interest-bearing notes rather the cash. Terms of the agreement call for payment of $4 million in cash due June 30, 1986, and the balance due over a 12-year period. Mr. Jones said the notes are bearing interest at market rates.

But that's not all.

Hawkeye, which lost $15 million in the first nine months of 1985 due to the teetering Iowa agricultural situation and has said it would lose another $15 million in the fourth quarter, has retained an option on the mortgage company to try to sell it to a third party in order to get cash now for the unit.

Mr. Jones said that under the option Hawkeye could "cause the buyer to sell the mortgage company to a third party prior to July 1, 1986, in which case Hawkeye would be entitled to receive up to $9 million, although it could be less."

Mr. Jones said it is possible that Hawkeye might have to settle for something less than $9 million in order to get hard cash. He added that Hawkeye is currently making efforts to try and find another buyer. If that is unsuccessful within the given time frame, it will go ahead with the sale of the mortgage company as planned.

Hawkeye has said in the past that it is suffering from something of a cash-flow squeeze. Thus getting its hands on cash now has a real priority. As it is, even the sale of the mortgage company for notes has freed up $15 million that Hawkeye was using to temporarily fund the mortgage company. That $15 million is being downstreamed to its banks in order to keep them well capitalized.

Hawkeye is currently negotiating with a group of its creditors for some type of relief on about $100 million in short-term and long-term debt. The debt is between the parent company and the lenders and does not involve the 36 individual banks in the Hawkeye system. The bank holding company has insisted that despite the overwhelming problems that it faces, the banks themselves have an average primary capital ratio of more than 8%. ■

South Africa Divestment Measure Passes Again In New York Assembly

Special to the American Banker

ALBANY, N.Y. — The New York State Assembly has passed for the third time a bill to force the state to divest itself of financial interest in companies that conduct business with South Africa.

The measure passed by a 102-to-34 vote last week and will be sent to the Senate, where it is expected to die. The bill has come before the Assembly during the regular session and in the special December session, passing both times.

The divestment program would require that funds of the Common Retirement Fund, the Teachers' Retirement Fund, and the State University of New York be removed from companies doing business in South Africa. It also requires that no new funds shall be invested in any of these corporations or in any bank or financial institution making loans or providing services to the South African government. In addition, the state would be precluded from obtaining goods having their origin in the Republic of South Africa or from any business providing goods to that government.

- Charles Dumas, spokesman for Senate Majority Leader Warren Anderson, R-Binghamton, said: "Nothing has changed since the Assembly passed the bill last month.

"The state comptroller has not changed his position that this policy, if adopted, could be dangerous to the fiscal health of the pension fund and ultimately could cost the taxpayers millions of dollars. We continue to support the comptroller, who was elected to make this sort of decision." ■

WASHINGTON THE WEEK AHEAD

Read it
every Monday
in
American Banker

Caps . . .

Continued from Page 13

ratings.

Institutions that measure up poorly to the Fed's evaluation criteria could have their processing flexibility limited and lose business. Some corporations are worried that they may not be able to wire out deposited funds if a bank has reached its cap.

On the other hand, banks that find themselves in favorable positions — perhaps because they are net sellers of federal funds, because they have a relatively large capital base, or simply because they are well-run institutions — may be tempted to publicize that fact to attract business, despite the fact that the Fed is urging all institutions to keep their caps a secret.

But the Fed has emphasized the initial overdraft limits have been made relatively lax initially to keep disruption of the payment system at a minimum. There had been fears that rigid limits would force institutions to delay making payments until incoming transactions arrived, setting up the possibility of a payment-system "gridlock."

A survey released last week by the Bank Administration Institute showed that the program should have only minimal impact on the processing operations of the nation's largest banks. Twenty-one of 30 surveyed banks said overdraft caps would limit their operations "never or almost never." Seven expected "occasional" problems, while two foresaw difficulties "all the time or almost all the time." The impact in all cases should be limited to short processing delays and not be perceptible to corporate customers, the trade group's survey found.

Banks examiners will review the self-determined ratings to insure that "the institution has seriously and diligently applied the guidelines, that the underlying analysis and methodology were reasonable, and that the resultant self-evaluation was generally not inconsistent" with the regular examination report, the Fed said.

But while changes in the rating can be urged, "it should be emphasized that the examiner cannot require a modification of the self-evaluation cap category unless the level of daylight credit used by the institution constitutes an unsafe or unsound banking practice," the central bank said. ■

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TODAY

THRIFT COMPANY PROFITS: The beleaguered Financial Corporation of America turned a profit in 1985, as its fourth-quarter net income of $97 million enabled the company to earn $53.3 million for the year. Meanwhile, CalFed Inc. reported fourth-quarter net income of $31.1 million, helping the thrift holding company achieve record full-year earnings of $134.7 million..... 2

FLORIDA FEDERAL'S LOSS: Florida Federal Savings and Loan Association, St. Petersburg, Fla., recorded a loss of $29.2 million in its second fiscal quarter ended Dec. 31, due to a $16.8 million loan-loss provision and $15.8 million in writedowns of the net realizable values of seven real estate development projects...2

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Quote

Iowa's agricultural crisis is a debt crisis, and until millions of dollars of debt is collected, stretched out and charged off, the crisis won't disappear.

Paul Dunlap, president and chief executive officer of Hawkeye Bancorp. [1]

Unquote

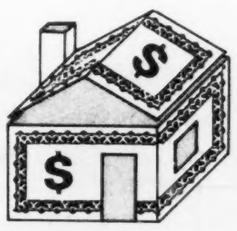
AN AMERICAN BANKER SPECIAL REPORT

Mortgage Securities Gaining at Banks, S&Ls

Some Banks Report Significant Holdings

By DAVID LaGESSE

NEW YORK — Commercial banks remain a relatively small player in the world of mortgage security investments, but a few banks have made significant investments in securities backed by home loans.



Mortgage Securities

Hibernia National Bank of New Orleans, for example, holds nearly 20% of its portfolio in mortgage-related securities, according to a statistical study prepared by *American Banker* from federal regulatory filings. The regulatory data include all mortgage-related securities — those insured by federally sponsored agencies, such as the Federal Home Loan Mortgage Corp., or Freddie Mac, as well privately insured mortgage securities.

Other banks with large percentages of assets in mortgage securities include Hibernia National Bank, San Francisco,

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11.2% of Assets at Top 50 Thrift Institutions

By IRENE APPELBAUM

NEW YORK — Mortgage securities remained a popular investment with thrifts last year, and could become even more popular in the coming months, industry officials say.

Holdings of mortgage-backed pass-through securities increased slightly as a percentage of assets at midyear 1985 over the year before among the top 50 thrift investors, according to a statistical survey prepared by the *American Banker*. The 50 thrifts had an overall ratio of mortgage-backed securities to assets of 11.2% as of June 30, 1985, compared with 10.1% for the previous year.

Bank and Thrift Mortgage Security Holdings Tables, Page 22, 23

The holdings, as reported to the Federal Savings and Loan Insurance Corp., include government-insured and conventional mortgage securities.

Among the top 10 thrift investors in mortgage securities,

➡ Thrifts: Page 22

Fed's Idea of Limiting Clearing House Payments Draws Fire

By TOM FERRIS

NEW YORK — The banking industry is voicing strong opposition to a suggestion by the Federal Reserve Board to limit the size and types of payments eligible for the automated clearing house payment network.

While general acknowledgment was expressed on the need to identify and control the operational and credit risks inherent in the fledgling system, most of the 95 written comments filed last fall termed the proposal to limit payments premature and counterproductive.

Instead of reducing risk, transaction restrictions in most cases would result only in transferring exposure by driving large electronic payments back to the check-collection system, many of the respondents maintained.

"We oppose constraints or limits of any kind on the types or size of transactions that may be handled," said Bank of America, echoing the sentiments of most banks, associations, and corporations commenting on several risk-reduction ideas suggested by the agency.

Even though the number of large-dollar-value payments processed over the network is increasing, such transactions still represent a tiny amount of the clearing house's traffic, these respondents pointed out, arguing that the imposition of strict risk controls would stunt the growth of the maturing network and drive up transaction processing fees.

However, most said they shared the Fed's concern on the need to study clearing-house risk. The respondents also expressed widespread support for one Fed strategy, in which the network's credit and debit transactions are charged to an institution's reserve account at the start of business daily.

This approach brings these electronic payments under a Fed program to limit intraday bank overdrafts stemming from wire transfers. Last May, the Federal Reserve Board instructed banks to establish overdraft caps by the end of February. The program takes effect on March 27.

The policy was prompted by fear about the massive deficits — amounting to as much as $120 billion — that banks routinely run up during the day while transferring funds. Although the overdrafts are covered by the close of business, the Fed is worried about the potential ramifications of the sudden failure of a bank with a large net-debit position.

The policy is aimed at the large-dollar wire networks that move more than

➡ ACH: Page 8

Hawkeye Losses Exceed Expectations

By LISABETH WEINER

CHICAGO — Hawkeye Bancorp. on Wednesday reported a fourth-quarter loss of $21.9 million and a 1985 loss of $36.9 million — both greater than the company had projected even as recently as two and a half weeks ago.

Fourth-Quarter Earnings

The fourth-quarter loss, which equaled $3.51 a share, compared with a loss of $3 million, or 56 cents a share, in the comparable 1984 period. For all of 1984, Hawkeye reported a profit of $917,000. Hawkeye had projected a $15 million loss for the quarter and a $30 million loss for the year.

The Des Moines-based company, whose fortunes have deteriorated in tandem with the farm economy, attributed the deficit to an increase in its loan-loss provision. For the fourth quarter, the provision rose to $20.8 million from $6.8 million a year earlier. For all of 1985 the provision for loan losses charged to earnings was $55.4 million, compared with $20.7 million in 1984.

In addition, Hawkeye, which is trying to renegotiate about $100 million in short-and long-term debt, said it is not in compliance with the provisions of various debt agreements. And its auditors, Deloitte, Haskins & Sells, have advised the company that it will issue a qualified opinion on the 1985 financial statement "because of the uncertainties regarding, among other things, the restructuring of this debt and thus the ability of the company to continue as a going concern."

Hawkeye reported that the allowance for loan losses as a percentage of loans at the end of the year rose to 3.03%, or $29.8 million, from 1.41%, or $15.1 million, in 1984. Net charge-offs were $41 million, or 3.81% of average loans, in 1985, compared with $17 million in 1984. Of the $41 mil-

➡ Hawkeye: Page 10

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